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UK reaction to EU sugar reform deal

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Approved by:

Besa L. Kotati
U.S. Embassy

Prepared by:

Steve R. Knight

Report Highlights:

The announcement of a deal in the sugar reform negotiations in Brussels has received a mixed reception in the UK. With the deal being a key objective of the UK's Presidency of the EU, the UK Government has hailed the agreement as groundbreaking and claimed it will ensure a long-term competitive future for the EU sugar sector. As would be expected, industry has been more cautious in its praise, focusing its attention on the positives of the late compromises in the deal.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
London [UK1]
[UK]

As expected, the November 24, 2005 announcement in Brussels of a deal to reform the EU sugar regime has been welcomed by the UK Government but has received a guarded reception from the UK industry. That said, the latter's reaction also indicates that most market players were resigned to dramatic change and, as a consequence, seem pleased with the last minute agreements that will see an extension to, and softening of, the transitional measures.

Speaking to journalists at the conclusion of the three days of talks, UK Secretary of State for Environment, Food & Rural Affairs and incumbent EU Agriculture President, Margaret Beckett, hailed the agreement as groundbreaking and claimed it would ensure a long-term competitive future for the EU sugar sector.

Among UK producers and refiners the reaction has focused on the last-minute compromises to the deal. In a statement following the announcement, the National Farmers Union (NFU) commented that the "deal removes some of the uncertainty UK sugar beet growers have faced for the past year. The sugar price is to be cut by 36 percent instead of the 39 percent proposed. The NFU believes the reform is radical and will change the face of the European sugar industry." NFU Sugar Board Chairman, Mike Blacker said: "We have achieved many of our objectives. We have avoided a compulsory quota cut and decoupling has been agreed throughout Europe, with one or two regrettable exceptions. And we have obtained a lower price cut phased in over four rather than two years. However, the extent of the price cuts will still be extremely painful".

Meanwhile, while most of the large companies involved in the UK sugar sector refrained from commenting in detail, UK refiner and processor, Tate & Lyle, issued a press release welcoming the agreed proposals. While indicating that it understood the need for reform of the EU sugar regime, and highlighting that there would be a significant long-term negative impact on its business, Tate & Lyle's statement also focused on the positive effects of the last minute changes to the June text. In addition to the aforementioned changes, Tate & Lyle welcomed the inclusion of short-term transitional aid to bring the impact on cane refiners and beet processors more closely in line, and the short-term reduction of the burden of the restructuring fund on isoglucose manufacturers.

Comment

Putting the varied reactions in context - for the UK Government, the reform was a key objective of their Presidency of the EU and they are presumably delighted that, albeit after protracted negotiations, the deal received overwhelming backing by member states despite no official vote taking place. For the producers, the reform largely became an exercise in damage limitation. As such, it is unsurprising that the NFU focused their comments on the reduced price cut and extended implementation period while the reference to the decision not to impose a compulsory quota cut throughout Europe presumably reflects the fact that UK sugar beet production is considered to be among the most efficient in Europe. As such, while the anticipated fall in prices will see sugar beet production decline in the UK in the coming years as some producers switch to alternate crops, UK producers are better placed than those in many other member states to continue in the sector. For the refiners, the late compromises offered an improved outlook as compared with the draft proposal, a fact not lost on the stock exchange which saw Tate & Lyle shares rise on Friday.

Full statements can be found as follows.

Department for Environment, Food & Rural Affairs:

<http://www.defra.gov.uk/news/2005/051124b.htm>

National Farmers Union:

http://www.nfu.org.uk/stellentdev/groups/public/documents/pressrelease/sugarreformremovess_ia43860151.hcsp

Tate & Lyle:

<http://193.35.126.50/PressReleases/PressRelease1421.asp>